

A Simple, Effective Business Plan Writing Guide

(Go to www.marchmeyer.com, hit Teaching, look at various course documents)

The **Table of Contents** for a business plan is shown below. Even though this outline is best suited for technological ventures, it can be readily modified to suit businesses such as restaurants or retail shops.

1. Executive Summary
2. Business (Product and/or Service) Concept
3. Market Analysis and Opportunity
4. Technology and/or Production Plan
5. Sales Plan
6. Organization Plan (include Resumes in Appendix)
7. Financial Projections and Objectives (Startup Financials)

Remember, the characteristics of good business plans are a powerful marketing concept, clear tie-ins between your product or service and the methods for selling and promotion, an organization plan with depth, and reasonable, realistic financials and investment proposals. Clear writing is essential. Brevity is a must.

Let's put it even simpler. Our experience is that entrepreneurs and investors alike require:

- **A Robust MARKET,**
- **A Distinctive Product or Service SOLUTION**
- **A Balanced, Experienced TEAM,**
- **A BUSINESS MODEL that Generates Sales (New and Recurring) and Earnings.**

A few graphics to liven up the plan are helpful. Philosophy and informality are never appreciated.

Executive Summary:

The Summary must grab the reader. Most investors will only read the Executive Summary, and go straight to the resumes, and then the financials. If they like these, they will then read the rest of the plan.

The Summary is a concise statement of the purpose of the proposed venture -- its vision of greatness in the form of a distinctive market position that you hope to achieve. Within a single page, you should be able to describe:

- the market opportunity
- the management team
- the distinctiveness of the product or service
- a highly simplified pro-forma financial table showing revenue ramp, costs, profit, and investments anticipated year by year for five years.

The Business Model

This section goes into greater detail on how the business ramps revenue and generates profit, as well as the investments and expenditures for R&D, manufacturing, and marketing to achieve revenue and profit.

You must justify the feasibility of your revenue projections. Market demand and market development must go hand in hand to achieve rapid revenue growth. If you are going to compete on price, then you must justify how profitability can still be achieved with those lower prices. You must also talk about the role of internal versus external resources for producing products or deploying services.

A realistic business model is a key concern of investors. Pay attention to this. Try to fit this section in several pages.

Market Analysis:

This section has three parts: Industry Description, Customer Profile, and Competitive Analysis.

1. *The Industry Description* provides information on the total size of the market, its major segments, and the specific segments or niches that your business will target. This information typically comes from "the library" -- published government statistics, trade association data, business magazine articles, and so forth. If you are developing a retail business, be sure to provide demographic information for the city or town where your business will be located. Lastly, the more carefully you can target your customers the better. References should be footnoted where ever possible. **You must have data !**
2. *The Customer Profile and the Compelling Applications/Solutions That They Need:* This section provides specific information about customers needs and preferences relative to your product and service. **The most effective way to gather this information is to do a small customer survey** -- focusing on the "four P's" of product (features), price, promotional preferences, and distribution (where and how they prefer to buy, support needs, timing, etc.) Even though it is time consuming, talking to prospective customers about the specifics of your business is one of the best things that you can do. A questionnaire, with summarized responses, should be enclosed in an Appendix.

Just because you might be a representative user, you are not excused from talking to other target customers or users. Your own insights will be shaped by what they have to say.

A short cut is to find other organizations or companies that have recently completed a user requirements market research study. If you can find this, all the power to you.

It is suggested that you include a chart that segments the market by customer type and price/performance tiers within each market segment, and refer to it as you work through the Customer Profile. If this a technology venture, you should describe the *compelling applications* of your technology within these segments.

3. *The Competitive Assessment* identifies either the flaws in your direct competitors or gaps in the market that are not addressed by them. Go down the list of each major competitor. Summarize their marketing concepts and strategies -- and their vulnerability. Once again, **you must have data** from competitors or more generally, about existing solutions to the problem you are trying to solve.

The bottom line of this section is that the reader is going to want to be sure that a) **you know the market**, b) **that the market is healthy**, c) that you will **be focused in your marketing and really know customers' needs**, and d) that you can **beat "the guys next door"**.

Sales Plan:

Your readers are going to want to see three basic things in the Sales Plan:

- That you understand the importance of selling -- and will not short change investment in building sales capability in the first years of the business.
- That there is a "fit" between the strategies for the 4P's of marketing -- ie. that your channels are suitable for the features of the product, that customers read the media where you advertise, etc.
- That the Sales Plan has strong growth potential.

The Sales Plan contains three sections: Sales Targets and Projected Revenues, Channels and Promotion

1. *Sales Targets and Revenue Projections:* What is the specific staging of market segment attack for the business? What type of revenues are expected from these efforts over time? You must include the pricing and market penetration assumptions behind these revenue projections.

Include a Project Revenue spreadsheet statement for the first three years of the business.

2. *Channels and Promotion:* Describe your channel structure, ie. direct or through intermediaries. If you will use middlemen, describe who they are, their location, and their margins. What are the qualification programs that you need, and what do you need to do to make them successful? Channel selection must be defended in terms of suitability relative to your product or service (margins availability, selling skills required, intensive versus selective distribution objectives). Describe your Promotional efforts in terms of **the message**, the media, and your promotional budget.
3. *Pricing and Sales Targets:* This section goes back to your market research to show the price ranges existing in the market for your types of products and services, and then states your pricing strategy and how it positions your business relative to the competition. You must also define sales and revenues objectives -- which, while difficult to do, is essential if your financial statements are to have any meaning.

Include a Market Development expense budget for the first three years of the business.

Technology and Production Plan

The purpose of this section is to describe the engineering effort entailed in developing the new product (if appropriate for your business). You may include diagrams or higher level schematics, if appropriate. What are the milestones (with dates) in development? How will product testing be performed? Can you assure the reader, through a combination of understanding engineering requirements, staffing, and quality control procedures, that the product is really *going to work*?

A word for technologists here: even though you could easily write thirty pages on this section, DON'T. Limit yourself to two or three pages with a few diagrams. You do not want to tell the reader how to make the thing -- just what it will do !

Similarly, if manufacturing is involved, describe either your internal manufacturing plans or your plans for subcontracting. Also, address the issue of suppliers if you will be sourcing specific components.

If you are building a restaurant, hotel, or retail store, use this section to describe the layout of the store, construction costs, and so forth. The essentials of operations needs to be described here.

Include a technology/production/operations budget for first three years of the business.

Remember, distinctive locks or insights into key aspects of technology are very important to communicate here. The resumes of the experts in the venture will be the major proof, or lack thereof, behind what you say about technical advantage.

Organization Plan:

This section first provides a synopsis of the qualifications of the management team and then defines responsibilities. A balance of skills, and evidence of experience and success, are essential. Resumes are typically enclosed in an Appendix.

You should also provide a brief description of the organization structure, how the key slots are filled, and who will sit on your Board of Directors. If you don't have a key slots filled, it is okay to say so and indicate that a search is on to fill that slot.

Do not give short shrift to writing this particular section. It may be the deciding factor for investors, and the ultimate success factor for your venture.

Financial Projections and Objectives

It is easy to print out 20 pages of spreadsheet projections that have little value. Your financial statements must be concise and realistic. Readers will be most interested in:

- the fundamental Business Model (e.g. how you will make money),
- your startup capital needs
- your operating margins
- your cashflows over the first three years

Whatever financial statements you provide, be sure to first provide a textual description of your objectives and requirements in these areas as a prelude to the spreadsheets.

1. Standard Income Statements (Quarterly 1st Year, Annual for Years 2 and 3).
2. Source and Uses of Cash, showing Net Cash Balance and infusion of funds if required. (Years 1,2,3)
3. Balance Sheets for Year End (Years 1,2,3)
4. Startup Costs (Detailed)

Most importantly, be sure that your revenue figures tie into other parts of the Business Plan, such as the Sales Plan, or the Technology development schedule.

Should you include the investment package ?

While you should clearly work what you would like to get (and give in return) ahead of time, many entrepreneurs would argue this is a matter for face-to-face negotiations. Why tip your hand or limit yourself in writing ? In the Executive Summary, say what you need. That's it.

Should the entrepreneur also include his or her own plans for "harvesting", e.g. an exit strategy for investors -- be it going public or be acquired after a certain number of years ? Again, many experienced entrepreneurs will argue that this may one of the most important aspects to think about prior to starting a company, putting it in writing is unnecessary and potentially limiting.